



Initial Strategic Planning Briefing

February 11, 2010

Elements of the Presentation

District's Strong Fiscal Foundation

**Budget Reductions and Cost Efficiencies
Implemented**

**Business Performance Management Office (BPMO)
Role and Impact**

Rating Agency Actions


Minor Update to Revenue Picture

Expenditure Picture


- **Operating Impacts of Capital Projects**
- **Total Maximum Daily Loads (TMDL's)**
- **Sea Level Rise**
- **Levee Inspection and Rehabilitation**
- **Numeric Nutrient Criteria**
- **Federal Cost Sharing (Master Agreement)**



District Fiscal Foundation - Built upon 16 Principles of Sound Financial Management


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- 1. Strategic Financial Planning**
 - 2. Capital Projects Plan**
 - 3. Fiscal Plan**
 - 4. Balanced Budget**
Recurring Revenues pay for recurring expenses.
 - 5. Asset Inventory**
 - 6. Revenues**
 - 7. Cash Management and Investment**
 - 8. Internal Control**
 - 9. Disbursements**
 - 10. Debt Management**
 - 11. Reserves**
 - 12. Procurement and Contracting**
 - 13. Accounting and Financial Reporting**
 - 14. Independent Audit**
 - 15. Internal Audit**
 - 16. Business Ethics**

District Budget Savings (FY 08 – FY 10)



<u>Source</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>Total</u>
Training	\$1,021,223	\$354,531	\$197,941	\$1,573,695
Conferences	\$238,751	\$115,916	\$143,499	\$498,166
Travel	\$259,425	\$300,308	\$1,828	\$561,561
Memberships/Dues		\$87,117	\$108,879	\$195,996
Books/Subscriptions		\$78,745	\$60,391	\$139,136
Fleet Management	\$656,950			\$656,950
Equipment lease/rental		\$1,191,051		\$1,191,051
Energy Efficiencies	\$110,068			\$110,068
Conversion of contractors to FTE's	\$2,200,000	\$1,900,000	\$575,752	\$4,675,752
Internalized CERP outreach and streamlined workforce development	<u>\$1,200,000</u>			<u>\$1,200,000</u>
Total	\$5,686,417	\$4,027,668	\$1,088,290	\$10,802,375

Other District Operating Efficiencies



Operating Efficiencies	Savings Realized
Direct purchase of Compartment B and C Pump Equipment	\$2,700,000
STA 5 (Phase 1) earthwork completed with in-house labor	\$866,000
Procurement Card Program Savings	\$277,000
More efficient and targeted preventative maintenance inspections for District structures.	\$229,000
Modified fleet vehicle replacement metrics to focus on maintenance per mile/hour of utilization rather than vehicle age/mileage.	\$200,000
Re-engineering of Water Quality Monitoring Efforts	<u>\$155,000</u>
Total	\$4,427,000

Business Performance Management Office (BPMO) Role

1. Provide Business Intelligence for the District:

Simplify information discovery and presentation; making it possible for decision makers at the District to access, understand, analyze and act on data and information.

2. Provide Performance Management for District's Portfolio of Processes:

Help managers and process owners make better, faster and more accountable actions within the process fabric of the District business arena.

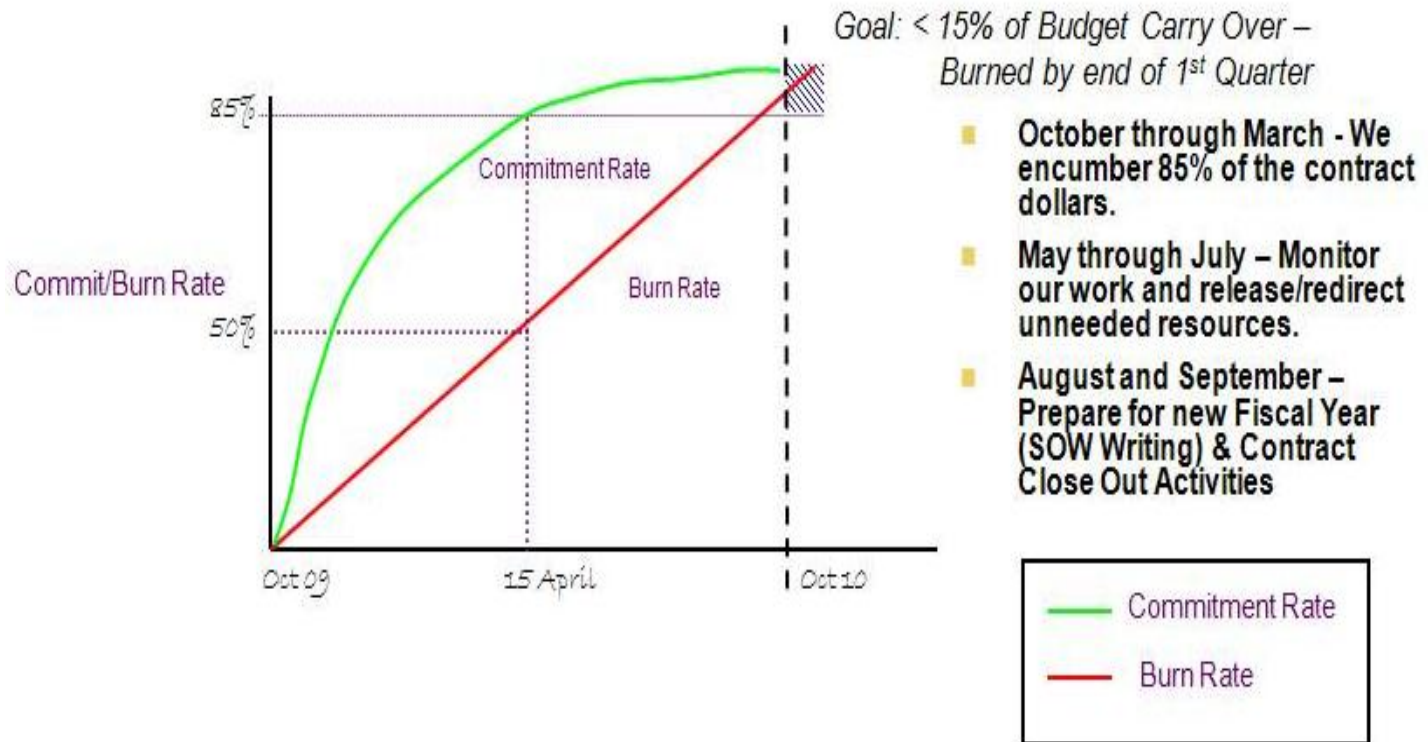
3. Provide Project Portfolio Management for District's projects:

Provide enterprise level project portfolio management ensuring effective allocation of District resources using strategic planning, measures of performance, risk management and portfolio investment strategies.



FY10 Business Plan Pattern

FY09 Carry Forward Goal (15%)	\$94.6 M
FY09 Actual Carry Forward	\$78.4 M



Fitch Ratings Inc. – Recent Actions on Outstanding District Bonds

- **Series 2006 COPs - affirmed at 'AA-'**
- **Series 2002 and 2003 Special Obligation Land Acquisition Refunding Bonds – affirmed at 'A-'**
- **Rating Outlook is Stable.**



Fitch Ratings Inc. - Recent Actions on Outstanding District Bonds (cont.)

- **Rating Rationale** - “The general creditworthiness of the District including a history of sound financial management, healthy reserves and liquidity, and low debt is factored into the rating.”
- **Key Rating Drivers**: “Fitch will consider the District’s ability to maintain financial flexibility and to balance operating and capital needs against declining resources.”



Moody's Investors Service – Recent Actions on Outstanding District Bonds

- **Series 2006 COPs - affirmed at 'Aa3-'**
- **Series 2002 and 2003 Special Obligation Land Acquisition Refunding Bonds – downgraded from 'A2' to 'A1'**



Moody's Investors Service - Recent Actions on Outstanding District Bonds (cont.)

- **Special Obligation Bonds Rating Rationale**
 - **Downgrade reflects:**
 - the volatility of the pledged revenues (documentary stamps); and
 - the state's utilization of funds in excess of debt service requirements.
 - **"It should also be noted that these state funds make up a very small component of the district's sizable financial resources and are not reflective of the district's overall favorable operating performance."**



Revenue Update

- **Schedule for updated EDR ad valorem tax estimates**
- **Commercial Real Estate Market**

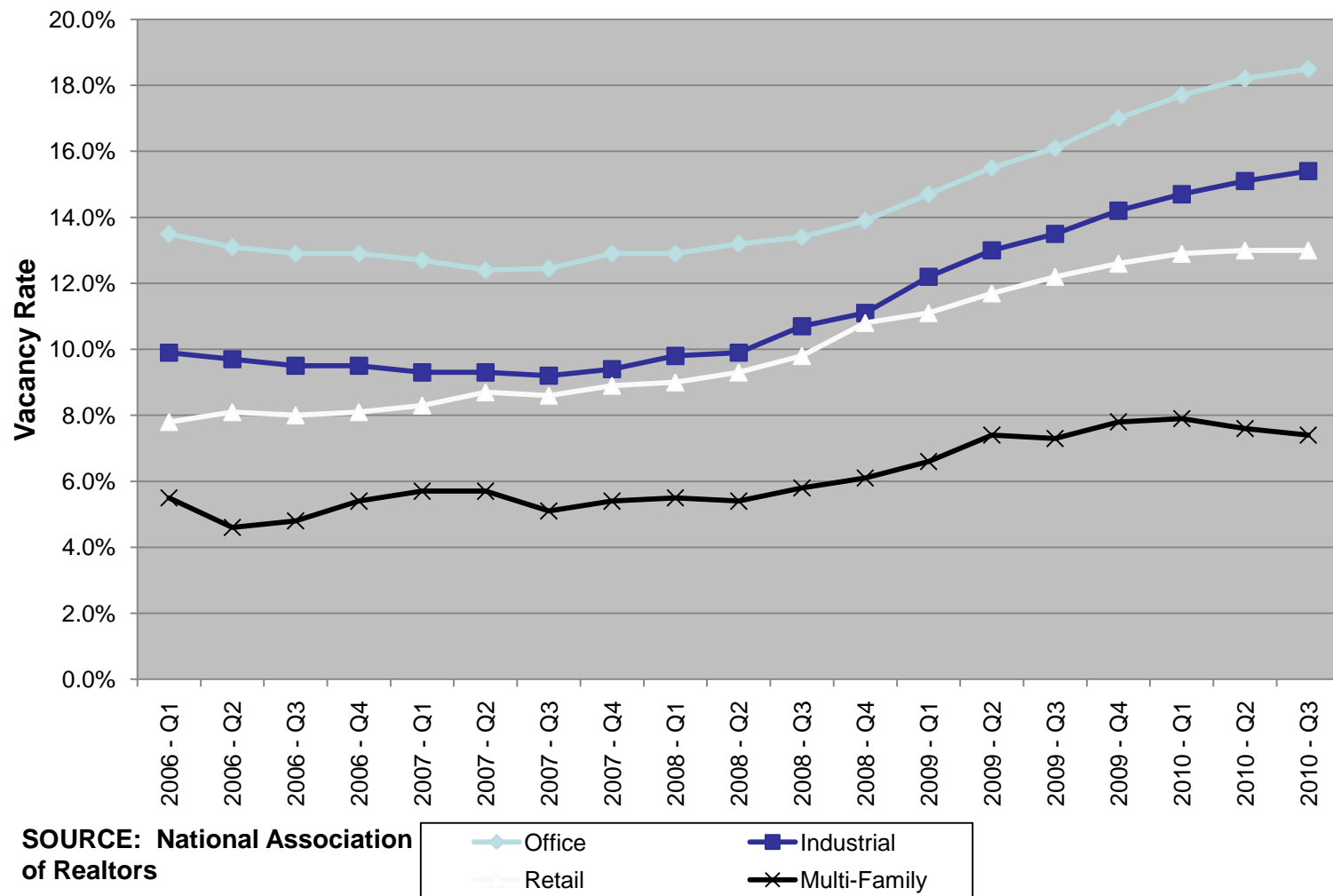


EDR Revenue Estimating Conference Update

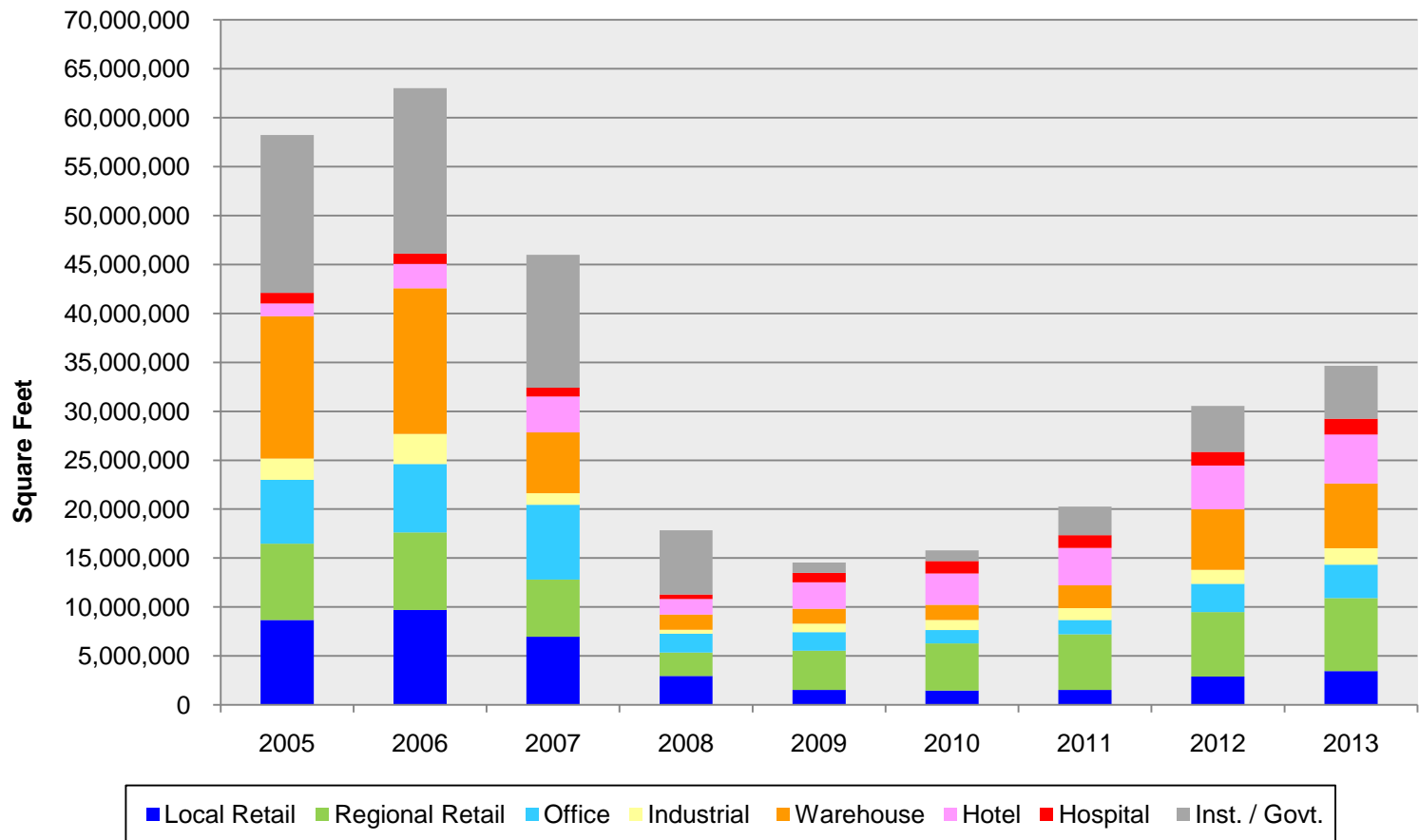
- **Historically ad valorem tax updates are provided in early March.**
- **Ad Valorem Tax Revenue Update is planned for March 1, 2010.**
 - **Results typically available 1 week later.**
 - **Schedule meshes with March Governing Board dates.**



Commercial Real Estate Vacancy Rate Forecast (National)



Commercial Construction for 16 Counties within the District Boundaries (FY 05 – est. FY 2013)



SOURCE: Fishkind & Associates

Commercial Real Estate Market (Florida)

- **What Florida Markets Have in Common:**
 - **Little new construction begun recently;**
 - **Projects underway often finish empty;**
 - **Vacancies are up, rents are down;**
 - **Troubled buildings can't pay to build out space for tenants or pay broker commissions.**


Source: Excerpts from article entitled "The Other Shoe is Dropping"; Florida Trend, October 2009

Commercial Real Estate Vacancy Rates (Florida)

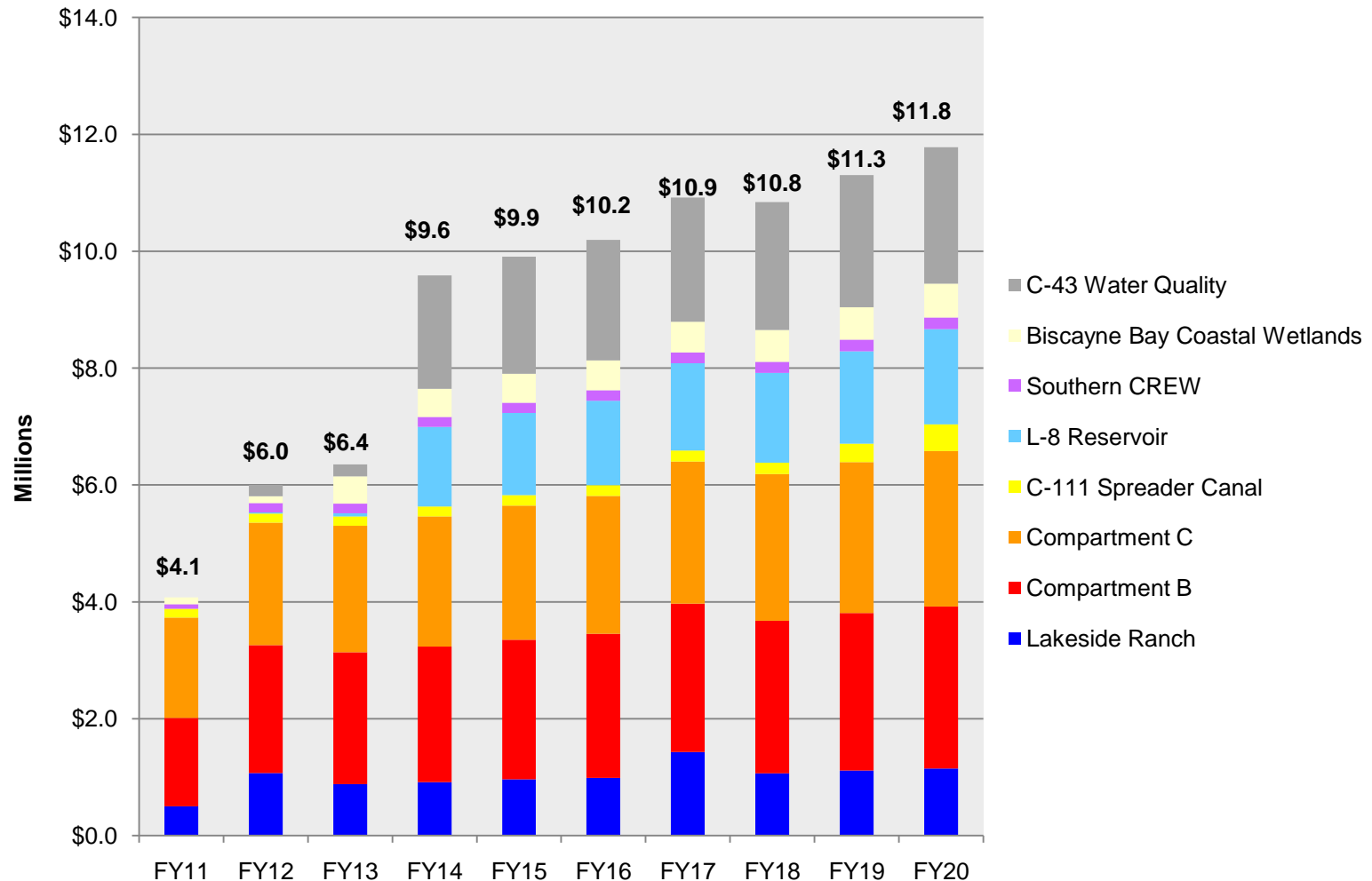
- **Around the State:**
- **Miami: Office vacancy rate is 15%.**
- **Orlando: Office vacancy rate is 17.4%.**
- **Palm Beach County:**
 - **One of the highest office vacancy rates in the nation at 22.5%.**

Source: Excerpts from article entitled “The Other Shoe is Dropping”; Florida Trend, October 2009

Economic Concerns noted in 2009

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- **Sea Level Rise**
 - **Coastal Structures**
 - **Major retrofits to coastal structures cannot be absorbed within the \$60M O&M Capital**
 - **Levee Inspection/Rehabilitation**
 - **Operating impacts of District capital projects**
 - **Total Maximum Daily Loads (TMDL's)**

Operating Impacts of District Capital Projects




TMDLs: What Are They?

Total Maximum Daily Loads

“A TMDL is the maximum amount of a given pollutant that a water body can absorb and still maintain its designated uses (e.g., drinking, fishing, swimming, and shellfish harvesting).”

(From Florida Department of Environmental Protection web site:
<http://www.dep.state.fl.us/water/tmdl>)

Summary of TMDL Implementation Fiscal Components

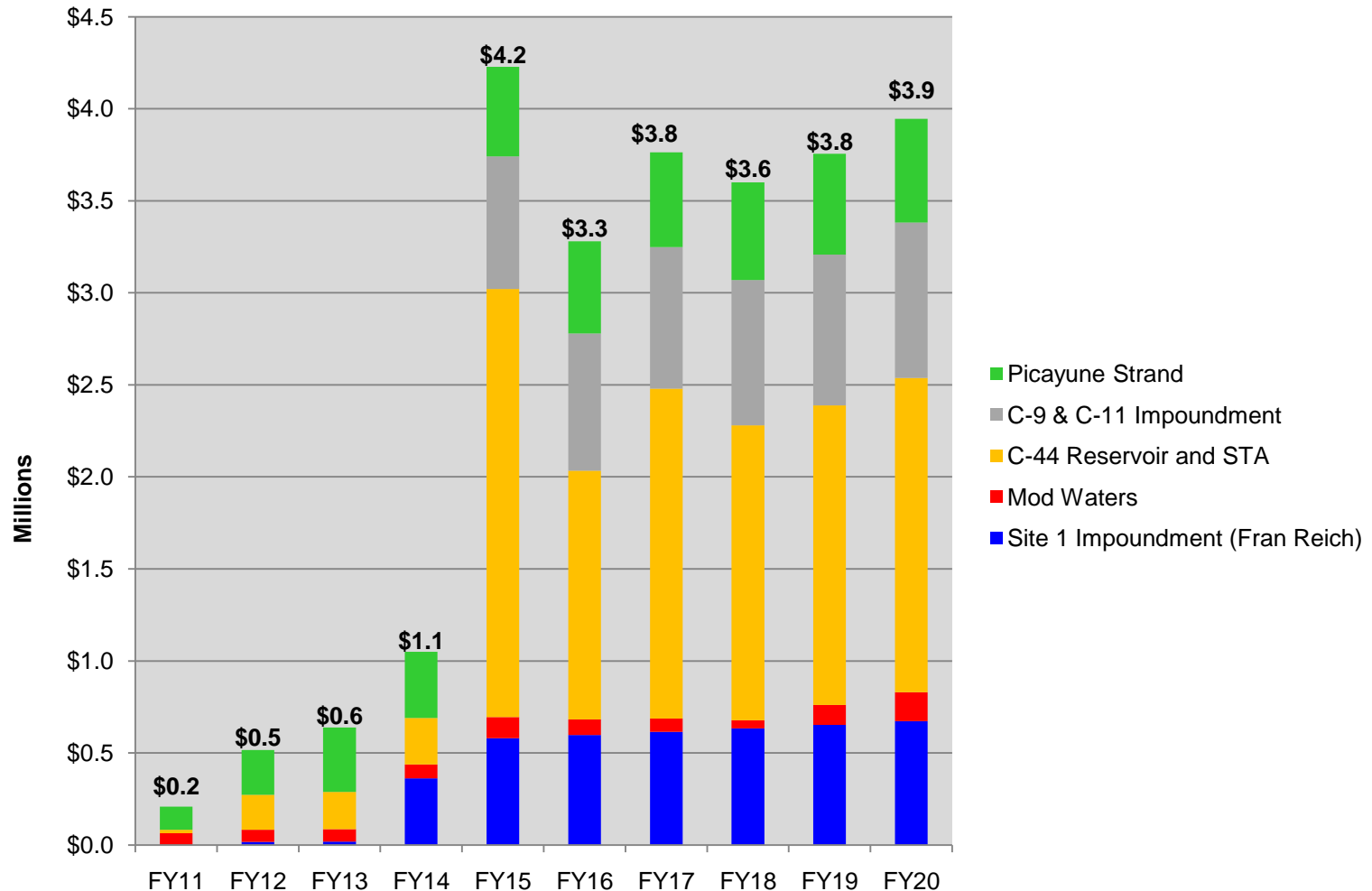
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- Fiscal Impacts to Implement **Lake Okeechobee Protection Plan** (FY 2010 and beyond)
 - Fiscal Impacts to Implement Northern Everglades **River Watershed Protection Plans** (FY 2010 and beyond)
 - Fiscal Impacts to Implement TMDL's (beyond FY 2010) in “non-Northern Everglades” basins will vary greatly depending on water bodies and pollutant type.

New Economic Issues arising since 2009

- **Operating impacts of USACE capital projects**
- **Numeric Nutrient Criteria**
- **Federal Cost Sharing (Master Agreement)**



Operating Impacts of USACE Capital Projects



Uncertainty and USEPA's Numeric Nutrient Criteria

- **Freshwater Criteria will be finalized by October 2010.**
- **Estuarine/Coastal Waters are scheduled to be finalized October 2011.**
- **How will the criteria be implemented by FDEP?**
- **Current Total Maximum Daily Loads could be affected or changed by these new criteria**



Economic Impact

Estimates of the cost of constructing a single STA to meet numeric nutrient criteria:

LO – Lake Okeechobee

Location	Total STA Acre	Construction and Land Costs	Annual O&M Cost	Annual Monitoring Cost
LO- North	5000	\$300,000,000	\$ 2,250,000	\$250,000
LO-South	5000	\$110,000,000	\$ 2,250,000	\$250,000
Urban	2500	\$400,000,000	\$ 1,125,000	\$125,000

Management of the 50-50 Cost-share Balance for CERP

- **CERP 50-50 cost-share balance will be managed on a programmatic basis**
 - Design Agreement
 - Master Agreement
- **SFWMD's 50 percent contribution will be provided through land acquisition, "In-kind Work" for design or construction, and cash**
- **Only costs for projects with executed Project Partnership Agreements will be considered**
 - No credit for SFWMD's land acquisition or construction expenditures until after a Project Partnership Agreement is executed



Next Steps

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- 1. Early March: EDR Revenue Update**
 - 2. March - Continue Strategic Planning**
 - 3. April – Draft Strategic Plan to Governing Board**
 - 4. District Budget Development (April – June)**